



City of Marietta
Meeting Minutes
BOARD OF LIGHTS AND WATER WORKS

205 Lawrence Street
Post Office Box 609
Marietta, Georgia 30061

William B. Dunaway, Chairman
James W. King, Vice Chairman
Bruce E. Coyle, Resident Member
Charles L. "Chuck" George, Resident Member
Arthur D. Vaughn, Resident Member
Harlon D. Crimm, Non-Resident Member
Alice Summerour, Non-Resident Member

Monday, November 8, 2004

12:00 PM

BLW Admin.-2nd Floor Board Room

Presiding: William B. Dunaway

Present: Bruce E. Coyle, Harlon D. Crimm, James W. King, Alice Summerour and Charles L. "Chuck" George

Absent: Arthur D. Vaughn

Also Present:

Philip M. Goldstein, Council - Ward 7

William F. Bruton, Jr., City Manager

Robert Lewis, Board Manager

J. Kevin Moore, Board Attorney

Shelia R. Hill, Board Clerk

CALL TO ORDER AND ROLL CALL:

Chairman William B. Dunaway called the meeting to order at 12:07 p.m.

I. MINUTES:

20041258 Regular Meeting - October 11, 2004

Review and approval of the October 11, 2004 regular meeting minutes.

A motion was made by Board member Coyle, seconded by Board member King, that this matter be Approved. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

II. APPOINTMENTS/PRESENTATIONS:

20041224 Electric Department Retirements

Recognition of Electrical Tech Services retirees Danny Lyle (30 Years), Terry Bartlett (31 Years), John Boggs (29 Years), Gary Doughton (30 Years), & Steve Higgins (31 Years).

Board Manager Robert Lewis, joined by Electrical Engineer Chuck Ward, presented retirement gifts to five long term employees who represent 151 years of experience at the Board of Lights of Water.

This matter was Presented.

20041231 Fiscal Year 2004 Marietta FiberNet Audit/ Moore & Cubbedge

Presentation of the Marietta FiberNet (MFN) Audit for FY 2004 by Moore & Cubbedge.

Donald L. McGrath, Jr., of Moore & Cubbedge presented the Marietta FiberNet Audit for the period ending June 30, 2004 . The first page shows the independent auditor's report which states that the audit was presented fairly and in accordance with auditing standards generally accepted in the United States. The second page shows the comparative statement of net assets as of June 30, 2004 as compared to 2003. The total current assets were \$4,169,000, net plant and equipment was \$21.6 million which brings the total assets to approximately \$26 million. The total current liabilities were \$10,248,000, that includes account payable, accrued salaries and employee benefits and interfund payable. Total liabilities were \$10,248,000 and total net assets was approximately \$15.7 million after the reduction of liabilities.

Page three shows the comparative statement of revenues and expenses for Marietta FiberNet. Charges for services were \$6.7 million, an 8.7% increase for the year, and operating expenses were \$9.4 million, an 8.1% increase for the year. The total operating income was a loss of (\$2.6 million). Transfers in add up to \$27.2 million, the total change in net assets were \$24.5 million and the net assets at the end of the year was approximately \$15.6 million.

Page four shows the comparative statement of cash flows, which incorporates the cash received and cash paid out. There was a net increase of \$2.1 million and a decrease in investments of \$3 million. The advances from other funds/interfund payable on page seven shows a balance of \$35,205,951 for 2003. Contributions were \$1.7 million, reclasses were (\$27.2 million) bringing the ending balance for 2004 to approximately \$9,720,000.

Board Attorney Kevin Moore explained the contingent liability on page seven which is an adversary complaint that has been filed against Marietta FiberNet to collect alleged preference payments. The potential liability for FiberNet could range from \$0 - \$488,633. The actual amount has not yet been reflected in the financial statements.

This matter was Presented.

III. APPEARANCES:**IV. BLW OPERATING DEPARTMENTS:****Customer Care / Utility Marketing:****20041225 MEAG Marketing Subscription 2005**

Report on the Municipal Electric Authority of Georgia (MEAG) Marketing

Subscription.

Customer Care and Utility Marketing Director Ron Mull explained that at the end of each year, staff evaluates the Municipal Electric Authority of Georgia (MEAG) marketing subscription levels and subscribe for service for the upcoming year. MEAG's recommendation for 2005 was 635 hours for a total cost of \$90,935, however, staff's recommendation for 2005 is to subscribe for 575 hours at a cost \$83,450. Mr. Mull presented a breakdown of the hours to which were subscribed last year as well as the recommended subscription levels for 2005.

Board member King questioned whether this would be an hourly contract for services with MEAG. Mr. Mull explained that the \$83,450 would be divided by 12 and that cost would be billed to the Board of Lights and Water each month. If we were to go over the allotted hours the difference would be paid at the end of the year, however, if we fall short of hours a refund would be given.

Motion to approve to subscribe for 575 hours at a cost of \$83,450 as the 2005 level of service for the Municipal Electric Authority of Georgia (MEAG) Marketing Subscription.

A motion was made by Board member Crimm, seconded by Board member King, that this matter be Approved. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

Electrical:

Internal Services:

20041226 Sale of Excess Reserve Capacity to MEAG Cities

Report on sales to cities and motion to approve recommended agreement for the sale of 4,275 kilowatts of excess reserve capacity for the summer peak period to the Albany Water, Gas and Light Commission.

Internal Services Director Herb Edwards explained the sale of excess reserve capacity to Albany Water, Gas and Light Commission. Marietta Board of Lights and Water (MBLW) expects to have approximately 16,000 kilowatts of excess reserve capacity for the summer peak period. The Albany Water, Gas and Light Commission has determined that they have a need for 4,275 kilowatts of such capacity. Albany has agreed to purchase such capacity from MBLW at a price of \$13 per kilowatt year, which would produce revenues of \$55,575.

Discussion was held regarding the revenues produced by the sale of excess reserve capacity. Board Attorney Kevin Moore stated that the revenues would go to the Municipal Electric Authority of Georgia (MEAG) as a credit on MBLW's account.

Motion to approve a letter of agreement for sale of excess reserve capacity at \$13.00 per kilowatt to the Albany Water, Gas and Light Commission and authorize the

Chairman to execute the agreement. The agreement begins on January 1, 2005 and ends on December 31, 2005.

A motion was made by Board member King, seconded by Board member Summerour, that this matter be Approved. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

20041227 Power Generation Capacity Statistics

Update on Power Generation Capacity Statistics.

Herb Edwards presented an update on Marietta's generating capacity mix as compared to the Municipal Electric Authority of Georgia's. Mr. Edwards first cleared up the discrepancy in numbers presented at the last Board meeting by Steve Jackson, Director of Power Supply of MEAG. The discrepancy was with the percentages on the pie chart where a coal unit was characterized as a gas unit. In spite of this, the total numbers reported were correct.

The chart on page two shows Marietta's unit capacities at delivery point which includes all baseload projects. The total entitled capacity for Marietta is 288,474 which also includes the combined cycle project and SEPA. The third page shows notes on Marietta's capacity mix and where improvements that were needed. Work has begun to identify an ideal mix and whether capacity should be sold or bought to lower the overall costs. With MEAG's help a long term process has begun to identify a goal for capacity management, finding a way to surface the opportunities and how to overcome any obstacles.

The goal at this time is to identify small near-term opportunities to sell baseload capacity, which can be pursued without concern of "overdoing it". Some of the candidates to buy baseload capacity would be primarily MEAG participates, however, other municipalities or co-ops would be permitted as long as they are not in the private sector.

This matter was Reported.

Water & Sewer:

V. CENTRALIZED SUPPORT:

Finance:

20041170 BLW Finance Reports

Review of the Finance reports for October 2004

Finance Director Monte Varva explained that a correction has been made on page three and five of the September financial reports. In pulling the FiberNet figures out of the master spreadsheet, some operating expenses were understated. The total operating expenses column for actual and year to date were understated

by \$69,081 and \$557,827 respectively.

The October financial reports shows that under charges for services, electric charges were strong coming in at \$33.7 million year to date, as compared to \$31.3 million last year. Total charges for services which includes water and sewer and miscellaneous charges was about \$42.3 million year to date, as compared to \$39.3 million last year. The profit and loss statement shows income from operations was about \$968,279 and \$6.9 million for the year, which is below the budget amount of \$4.9 million. Income from operations was up \$2 million from last year actual of about \$4.7 million. The net cash inflow/outflow was just under \$400,000 and \$4.7 million year to date, as compared to \$3.1 million last year.

Board member King questioned how the income from operations on page three was 476% above budget. Mr. Varva explained that there was about \$200,000 more in sales and about \$600,000 less in cost of sales, which accounts for the difference in the actual income from operations and the budgeted amount.

This matter was Reported.

Management Information Systems:

VI. COMMITTEE REPORTS:

Governance/ Strategic Planning Committee

Bruce Coyle, Chairman of the Governance/Strategic Planning Committee, referred to the proposed BLW Mission Statement, Vision Statement, Strategic Goals and Objectives and Board Policies, Principles and Procedures that were recommended for approval following the Governance/Strategic Planning Committee on September 30, 2004. Mr. Coyle asked for questions or comments at this time to determine whether these documents represented the intent, structure and purpose of the Board.

Board member Summerour questioned whether there would be an intent to define amount of reserves BLW should maintain and whether this matter should be included as a policy. Board Manager Robert Lewis stated that staff would work with the finance director to determine optimum level of reserves. Mr. Lewis also commented that a statement could be included in the goals that says a review of reserves would be done annually to ensure an optimum level.

Another point was brought up regarding the objective of the Board becoming more knowledgeable about legislation. Board member Summerour questioned whether a legislative meeting could be set with the Cobb Delegation to see if any issues needed to be discussed. Council member Goldstein mentioned that certain bills pertaining to the BLW could be brought up during the City's meeting with the Cobb Delegation.

Relating to inventory, Board member Summerour wanted to create a better system to track inventory, and Mr. Lewis stated that a statement could be included in section 4C which can be reported periodically. Moreover, Board member Summerour wanted an analysis done on security measures taken to ensure the protection of water tanks and other such facilities as related to terrorism. City Manager Bill Bruton assured the board that security measures and contingency plans are in place and could be disclosed to the board individually.

Mr. Lewis mentioned that an update would be provided monthly which would list each project and what percentage of the project is complete. This would be done to ensure that the goals and objectives are being met. Lastly, with several members of the technical services team retiring, cross training has begun with current employees who would be moved to that department. Also, an analysis would be conducted to see if more technical employees are needed with the move toward the automatic meter reader project (AMR).

20041148 Mission Statement

Review and approval of an updated Marietta Board of Lights and Water Mission Statement.

Motion to approve the Mission Statement:

"The Marietta BLW Mission is to provide high quality, reliable, and competitive utility services to our customers and a fair return to the citizens of Marietta."

A motion was made by Board member Summerour, seconded by Board member Crimm, that this matter be Approved. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

20041149 Vision 2009

Review and adoption of the Marietta Board of Lights and Water "Vision 2009."

Motion to approve the Vision 2009:

The City of Marietta continues to be a highly attractive urban center within the Atlanta metropolitan area. Attributes that include a viable central business district, stable neighborhoods, excellent local school systems and institutions of higher education, expanded retail services, green space and parks draw people to Marietta. Marietta's population has become more culturally diverse, with a marked increase in the size and influence of the Hispanic community. Redevelopment efforts have produced sizeable mixed use areas so that more people now live, work and play in Marietta. The local economy continues to be stronger than state and national averages, and household disposable income has also increased at above-average rates. Of particular interest to the MBLW, growth in the demand for utility services has come more from redevelopment of existing areas than from newly developed areas. While there has been some annexation of areas primarily to the West, the MBLW service area is largely "built out."

Marietta has continued to attract the interest of competing utility service providers, especially from Georgia Power Company and Cobb EMC. These and other competitors are well-established in the Atlanta metropolitan area, well-funded and politically connected. Although the State of Georgia has not yet mandated direct access and retail choice for electric customers, competitors in the Atlanta area are already offering an array of bundled customer services, including advanced metering and energy management, and are exerting increased pressure on MBLW's large customers to consider alternative sources of electricity. Georgia Power and Cobb EMC are competing to win customers with choice in and around Marietta. The MBLW has pursued more aggressively and has been able to retain most of its customers with choice as a result of innovative pricing and new technologies. The MBLW has also had some success in obtaining new customers of choice through direct involvement in City-supported redevelopment projects and by effectively promoting the benefits of "one-stop" electric, water and wastewater services. In addition to direct competition from traditional utility service providers, competition is also more evident in the form of energy management, distributed small-scale electric generation and fuel switching.

Overall, MBLW's customers are more demanding than they were, and have more rapidly changing service needs. Even customers without choice are more knowledgeable of competing services and prices. They place a high value on the quality of utility services, fast and thorough responses to problems and special requests, and on the MBLW's environmental stewardship. The majority of the City's electric, water and wastewater customers have a high level of confidence in MBLW and are satisfied with pricing and services, but there is a tight margin between competitive pricing and the ability to provide an acceptable quality of services. The MBLW has been able to manage this margin effectively by investing in current technologies, streamlining operations and managing costs more effectively. Existing customer and management information systems have been upgraded, and employees throughout the organization have been trained in customer service. The MBLW has learned how to be more flexible and responsive in meeting customer needs when connecting new customers and in providing day-to-day services.

The MBLW's success has been built on a solid record of performance in its core electric, water and wastewater utility businesses. Another important element of success has been MBLW's intentional but careful expansion into a few nontraditional products and services that its customers value. The MBLW has accomplished this expansion without incurring significant financial risk. Instead, the MBLW has offered new products and services to its customers through partnerships with other organizations that are more experienced in those markets and willing to cover most of the risk.

The MBLW has an effective presence in the Marietta community; management and employees are engaged in a wide range of community activities. Effective

communication with City leaders, community business leaders, customers and other community organizations has strengthened the MBLW's presence and name recognition. The MBLW continues to make an annual transfer to the City's general fund that has remained constant in real dollars since 2004. Most citizens are proud of the MBLW and have a high awareness of what MBLW contributes to the welfare of the City. Because of this understanding, most customers would not switch to another electricity provider even if they could. The MBLW has kept local news media and other external stakeholders informed, soliciting appropriate input on important issues.

To ensure continued quality and reliability in the essential utility services that it provides, the MBLW has made substantial investments in the expansion and replacement of critical infrastructure. The MBLW has completed approximately 50% of its 10 year water and sewer infrastructure improvement program. The storm water infrastructure is also undergoing significant rehabilitation and expansion. The MBLW has also increased its influence over important electric supply decisions as a member of the Municipal Electric Authority of Georgia (MEAG) and has recently participated in the acquisition of new electric generating resources. The MBLW has also diversified its power supply portfolio to incorporate projects beyond those that have been developed by the Municipal Electric Authority of Georgia (MEAG). The MBLW has also been savvy about the changing wholesale electric market and has been successful in tapping into its growing potential.

During the past 5 years, the MBLW has successfully redefined the way it does business. The MBLW's Board and management have created a shared vision for the future and have learned how to operate in a more competitive marketplace while remaining responsive to the requirements of local government ownership. The Board and management have adopted and annually updated a strategic plan that has caused everyone in the organization to focus on the accomplishment of well-defined objectives, goals and measurable performance targets. Central to the strategic plan is a process that keeps the MBLW focused on its core businesses and responsive to community and customer needs. Rather than try to be everything for everyone, the MBLW has been clear about its business priorities and the business results that it must accomplish to be successful.

For its own part, the Board has successfully transitioned to a role that focuses on strategy and policy. This transition has created more effective working relationships with both the City Council and with MBLW management. The City Council is well informed about MBLW performance, business strategies and issues and has a high level of confidence in the Board's ability to make effective policy decisions. Service on the Board is prestigious and appointments are made from a wide field of candidates whose qualifications meet prescribed criteria that are appropriate for a business of the MBLW's size, complexity and influence.

A motion was made by Board member Summerour, seconded by Board member Coyle, that this matter be Approved. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

20041150 Strategic Goals and Objectives

Review and approval of the strategic goals and objectives for the Board.

Motion to approve the Strategic Goals and Objectives, with an amendment to page 4c to add inventory systems (attached hereto as Attachment B).

A motion was made by Board member Summerour, seconded by George, that this matter be Approved. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

20041151 Board Policies, Principles and Procedures

Discussion and action regarding Board policies, principles and procedures.

Motion to approve the Board Policies, Principles and Procedures (attached hereto as Attachment C).

A motion was made by Board member Coyle, seconded by Board member Crimm, that this matter be Approved. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

20041153 Committees' Roster

Review of current Board Committees' Roster.

This matter was Discussed.

VII. CHAIRPERSON'S REPORT:**VIII. BOARD ATTORNEY'S REPORT:****IX. BOARD MANAGER'S REPORT:**

Board Manager Robert Lewis mentioned that all cities have approved the contract extension with Municipal Electric Authority of Georgia (MEAG). The next step would be to ratify the documents, which would be done in a meeting scheduled with Jim Fuller of MEAG. This is also to ensure that debt is not extended on existing generation.

Mr. Lewis suggested that the weekly reports provided for board members regarding operations, customer services and staff vacancies be limited to monthly reports to reduce the time staff spent working on such reports.

X. OTHER BUSINESS:**XI. EXECUTIVE SESSION (at the Board's discretion):****20041259 Executive Session**

Motion to enter an Executive Session to discuss legal, real estate and/or personnel matters.

A motion was made in open session by Board member Summerour, seconded by Board member George, to enter an Executive Session to discuss legal matters. The motion carried by the following vote:

Vote: 5 - 0 - 0

Approved

For: William B. Dunaway, Bruce E. Coyle, Charles L. "Chuck" George, Harlon D. Crimm, and Alice Summerour

Absent: 1 – James W. King (Board member King was absent during the vote, but entered the meeting shortly thereafter.)

The Executive Session was held (the Vice Chairman's affidavit is attached hereto as Attachment A).

A motion was made in open session by Board member Crimm, seconded by Board member Summerour, to close the Executive Session. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

For: William B. Dunaway, James W. King, Bruce E. Coyle, Charles L. "Chuck" George, Harlon D. Crimm, and Alice Summerour

A motion was made by Board member Summerour, seconded by Board member Coyle to add a Mutual Release Agreement with The Dive Shop IV, Inc., to the agenda for consideration. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

20041289 Mutual Release Agreement

Motion to ratify approval and execution of a Mutual Release Agreement with The Dive Shop IV, Inc.

A motion was made by Board member Crimm, seconded by Board member Summerour, that this matter be Approved. The motion carried by the following vote:

Vote: 6 - 0 - 0

Approved

Board Manager Robert Lewis mentioned that an election would be held to replace Ed Godshall on the Georgia Public Web Board of Directors. Mr. Godshall remained on their board after the sell of Marietta FiberNet to American Fiber Systems (AFS). Since AFS competes with Georgia Public Web for commercial customers, it would be a conflict of interest for Mr. Godshall to remain on the board. The Marietta Board of Lights and Water does hold 12% ownership interest in Georgia Public Web and there would be a good chance to have our representative elected. The BLW Board would need to consider a nominee to sit on the Georgia Public Web Board, which meets once a month usually at the MEAG headquarters.

Discussion was held regarding a nominee for the Georgia Public Web Board and whether that person would have to be a BLW Board member or a private citizen.

A motion was made by Board member Coyle, seconded by Board member George, to add consideration of a nominee to serve on the Georgia Public Web Board of Directors to the agenda. The motion carried by the following vote.

Vote: 6 - 0 - 0

Approved

20041290

Georgia Public Web Nomination

Motion to nominate Board member Charles George to serve on the Georgia Public Web Board of Directors.

A motion was made by Board member Crimm, seconded by Board member King, that this matter be Approved. The motion carried by the following vote:

Vote: 5 - 0 - 1

Approved

Abstain: 1 - Charles L. "Chuck" George

ADJOURNMENT:

The meeting was adjourned at 1:30 p.m.

Approved by City Council:

Date: November 10, 2004

William B. Dunaway, Mayor

Attest: _____
Shelia R. Hill, City Clerk

Approved by Board of Lights and Water:

Date: _____

William B. Dunaway, Chairman

Attest: _____
Shelia R. Hill, Board Clerk